

## EIB ACTIVITIES IN SLOVAKIA

***The European Investment Bank (EIB), founded in 1958, is an autonomous financial institution of the European Union which provides long-term loans for the financing of projects in the EU Member States in order to deepen their economic and social integration. EIB shareholders are the Member States, including Slovakia. The basic mission of the Bank is to provide long-term loans for investment projects that deepen European integration and thus contribute to the harmonious development of the EU.***

Since 1990, the EIB has had a key role in financial areas within the process of integrating the new Member States into the EU. The long-term loans it has so far provided in the new Member States are worth over thirty billion EUR, which represents the largest source of external financing in this region.

EIB lending in Slovakia over this period of more than 15 years has exceeded EUR 1.7 billion. EIB lending operations currently cover all areas of the Slovak economy, from infrastructure, manufacturing and services, including support for small and medium enterprises through local financial institutions, to the development of science and technology and the spreading of innovation in practice. The EIB has extended the biggest share of the loans (more than 30%) to the renovation and construction of transport infrastructure, which is important for improving the quality of transport access and for strengthening the competitiveness of individual Slovak regions. Construction financing for various motorway stretches and high-speed transport routes in Slovakia, including the recently opened Apollo bridge, renovation of rail corridors, and the co-financed realisation of foreign investments, are examples of projects implemented with financial support from the EIB.

Leading credit ratings agencies give EIB loans a highest rating of AAA, which means the bank is able to acquire funds under excellent conditions. These funds are lent on for the financing of projects. Since the EIB operates as a non-profit financial institution, its interest rates reflect the costs of its loans in capital markets. Moreover, EIB loans are long-term and may be provided with a maturity of 20 years or even longer; most borrowers pay only the interest during the introductory period, and begin to repay the principal only when the project makes an economic return. The EIB is able to extend loans in large volumes, in various currencies, including the Slovak koruna, and under repayment terms that correspond to the needs of the project promoter.

For larger investments, the EIB provides direct financing. For smaller projects whose total costs are less than EUR 25 million – carried out mainly by small and medium enterprises as well as smaller towns and municipalities – the bank provides indirect support through a network of partner banks. This network includes all major banks operating in Slovakia. These banks independently appraise individual projects and set credit conditions. Within a contractual framework agreed with the EIB they are commit-

ted to mediate advantageous conditions following from EIB loans to their clients.

During the course of its more than 47-year existence, the EIB has acquired a wealth of experience in the financing and implantation of projects, especially in those regions that are beneficiaries of assistance from the EU's Structural and Cohesion Funds. More than two-thirds of the EIB's total lending volume is extended to such regions, contributing to their faster economic progress and the reduction of disparities between individual regions of the Union. All regions in Slovakia are entitled to subsidies from these funds.

In supporting regional development, the EIB cooperates closely with the European Commission, in particular with the directorates-general responsible for regional assistance and financing. In the process of planning how to use the EU Funds, EIB experts participate alongside EC colleagues, who tap the bank's long experience in the area of regional development and investment. The EIB also supports innovative methods of financing, for example, partnership between the public and private sector, the so-called Public Private Partnership or PPP. This financial scheme can ensure the implementation and operation of public-interest projects more effectively than if the projects were financed and implemented exclusively by a public institution, but as yet it has been rarely used in the new Member States. The EIB has gained extensive experience of PPP over the years, having used it to finance more than 100 projects in various countries in a total amount exceeding EUR 12 billion. On the basis of this knowledge, the EIB can determine whether it is appropriate to finance a particular project through PPP and whether the risk and obligations are properly shared between the individual partners.

The EIB's future plans include supporting the completion of Slovakia's motorway network. An emerging new priority of its activities in Slovakia is to lend directly to regions and towns in order to finance the renovation of local transport infrastructure and improve the environmental quality, as well as to build and modernise facilities required for the development of tourism, culture, education and health. The bank is also keen to become more involved in the development of science and research and the introduction of modern production technologies, since having a knowledge-based economy is crucial to the further progress of Slovakia.

*(Based on EIB sources)*